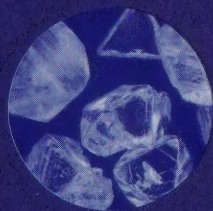
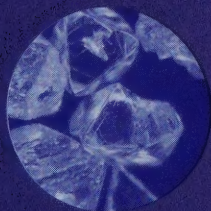
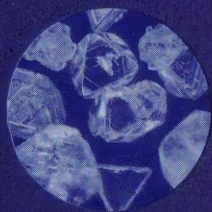


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Shear Minerals Limited
Annual Report
2001
2001 Annual Report



SHEAR
MINERALS LTD.

2001 ANNUAL REPORT

The term Shear
is a geological term used to describe
surfaces or planes along which movement
takes place in rock masses. Shear zones are
often the focus for gold mineralization,
such as at the Con Gold Mine in
Yellowknife, NWT.

2001 HIGHLIGHTS



Discovery of Shear's first kimberlite, NIC2,
at the Aylmer Lake West Property, NT.

The Nicholas Bay Kimberlite ranks in the top 10% of
kimberlites in the NT & NU for diamonds per kg.
1,180 diamonds were recovered in 2001
from 127.7 kg of kimberlite.

Completed six drill programs on diamond prospects.

Extensive prospecting was conducted to locate the
primary sources of kimberlite indicator minerals
on more than ten project areas.

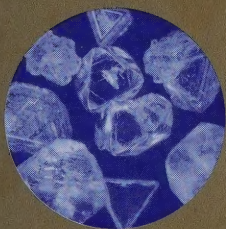
Established alliances with more than six diamond exploration
companies to further evaluate our properties.

Acquisition of more than one million acres of favorable
diamond exploration lands.

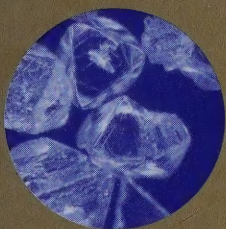
Maintained working capital and finances for
ongoing exploration.

2001 was another year of outstanding
progress for our Company.

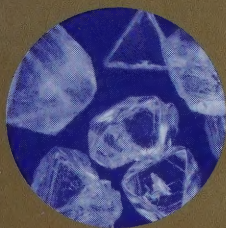
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A GEM



among



GIANTS

2001 ANNUAL REPORT

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progress for our Company.



On behalf of the Board of Directors, I am pleased to report on Shear's most recent activities and to present the audited financial statements for the year ending November 30, 2001.

During our past five years shareholders have been supportive and patient while our diamond property portfolio has systematically advanced to the drill-ready stage for the first time in their history. Shear is a first mover in many regions and is now executing our most active and productive year of operations. We are an innovative, competitive and accountable junior exploration company, combining cost-effective management practices, systematic exploration methodologies and strategic partnering to maximize shareholder value and return potential.

Mineral exploration is a knowledge-based industry that combines objective methodology with subjective interpretation. At Shear, we are experts in the geology, logistics, regulation, promotion and financing of northern mineral exploration. We believe that we will succeed by immersing ourselves in the 'northern' diamond plays. Currently we are focused on Lac de Gras (NT), North Slave (NU), and Northern Alberta. All three regions have had substantial discoveries and advancements, which I believe will eventually produce economic diamond deposits. The Alberta Diamond play allows Shear to operate when conditions are prohibitive in the northern areas, thus providing year round news for shareholders, as well as operating at comparatively lower costs due to infrastructure and ease of access.

We prioritize the properties in our portfolio to best fit our long-term corporate strategy while taking into consideration current investor and broker trends. Our exploration approach is a continuous process of acquiring properties of merit; advancing them to the drill-ready stage; and drill-testing targets to prove or disprove them for further investment.

As stated in our previous Annual Reports, we believe that major companies have left areas that we believe may reveal new discoveries with added due diligence and staged exploration. One such example is the North Slave Region of Nunavut, an area that has seen experienced the first couple stages of exploration and yet has yielded new kimberlite discoveries with significant diamond counts after nearly ten years!

We have developed two slogans that we feel typify Shear, the first being "A Gem Among Giants" as a reminder that we are the 'little fish in a very large sea'. The second, "Defining the Cut in North American Diamond Exploration" represents our technical approach to diamond exploration and public company management.

In 2001 Shear conducted six drill programs. Shear's first drill hole at the Aylmer Lake West Project (NU) discovered a new diamondiferous kimberlite, named NIC2. This discovery proved the presence of additional discoveries to be made in the Aylmer Lake region. Based on exploration results, Shear expanded many projects (Aylmer and Alberta) while reducing our land positions or interest on some (OBED-Edson, BR, Shulin) and relinquishing rights to certain others (Miminiska). This represents the natural progression of our property portfolio.



Shear's 2001 programs were funded primarily through successful equity financing in late 2000. Since November 2001 we have raised more than \$950,000. As in years past, Shear's warrants have been exercised 100%, a sign of dedication, commitment and faith from our shareholding groups. Our share price has fluctuated between \$0.42 and \$0.12 with a more recent price of \$0.33 and our highest daily volume of 1.7 million shares in February 2002. Prior to further financing we will await results from our current diamond programs.

In addition to our diamond projects, Shear has a number of gold properties that are drill-ready. These are located in the Slave Structural Province (NU) where several senior gold mining companies are active such as Kinross Gold. 2001 was a historic year as the scoping study was completed for the Bathurst Road and Port Study. Development is expected to commence within the next five years.

Going forward, our direct exploration and acquisition efforts will continue to focus on discovering diamonds within Canada. The advancement of our diamond and gold interests will continue to be driven by financing projects through equity placements, partnerships and strategic alliances. Joint ventures allow Shear to lower our risk and exposure in the preliminary years, evaluate a wide variety of projects and learn from the expertise of others. Join me in recognizing our valuable partnerships as mentioned throughout our property descriptions that follow.

I would like to thank our active Board for their hands on management role and our highly motivated and dedicated consultants whose efforts have brought us recognition by our peers. Together, we would like to thank you, the Shearholders, who have encouraged us on this journey of exploration through your loyalty, financial support and confidence. We look forward to sharing further successes and growth with you in 2002.

On Behalf of the Board of Directors,



Pamela Strand

Pamela Strand, P. Geol.
President and CEO

April 2, 2002

CANADA'S DIAMOND INDUSTRY

Over the past two years diamond fever has erupted in every jurisdiction of Canada: the Victor Project and Wawa Play (ON), Otish Mountains (QC), Fort a la Corne (SK), Buffalo Head Hills (AB), Coronation Diamond District in the Nunavut Territory (NU), and Lac de Gras in the Northwest Territories (NWT). Millions of acres have been staked in several areas and the market has seen the resurgence of flow-through financings.

Canada's "maverick" diamond mining industry began producing in October 1998 with the EKATI™ Mine, which had generated a total of 6.9 million carats by August 2001. Canada's independent producers will account for more than 12% of the world's annual diamond production by value by 2004 and have revolutionized the once monopolistic world diamond market.

Recent global attention has focused on "conflict diamonds" as well as the "Supplier of Choice" and the "Best Practice" code of diamond industry ethics. In addition the US has a bill tabled termed the "Clean Diamond Act". It is our view that the long-term outlook for Canadian diamonds is positive.

KEY PROJECTS

The Aylmer Lake West Property comprises seven mineral claims covering 18,077 acres strategically located southeast of the prolific Lac de Gras kimberlite field in the Northwest Territories. The Property lies 340 km northeast of Yellowknife, approximately 95 ilometres southeast of the EKATITM Diamond Mine, and adjoins the Diavik East Diamond Project to the northwest. In May 2001, Shear earned an initial 49% interest from Diamondex Resources Ltd. urrently, Shear holds a 54.1% interest as operator. The Aylmer Lake West Property has emerged as our leading property over the past year and will continue to be the focus of this year's exploration season.

With Shear's involvement through 2000-2001, in excess of \$600,000 has been spent on the property. Exploration conducted during that period by Shear comprised two drilling programs in which five geophysical targets were tested, two sampling campaigns, construction of a 20-person camp and the acquisition of 75-m line spaced airborne helicopter geophysics (magnetics and EM).

To date, two diamondiferous kimberlites have been discovered on the property: the Nicholas Bay Kimberlite ("NBK") drilled by previous operators in 1994, the NIC2 Kimberlite drilled by Shear in May 2001. NIC2, drilled on the first hole in May 2001, is a kimberlite of unknown geometry with a geophysical signature that runs sub parallel to the Nicholas Bay Kimberlite Complex. Caustic fusion of a 4.85 kg kimberlite core sample from NIC2 recovered 27 diamonds of which two were macrodiamonds (greater than 0.5mm in one dimension) and the remaining 25,microdiamonds.

AYLMER LAKE WEST
PROJECT
Northwest Territories

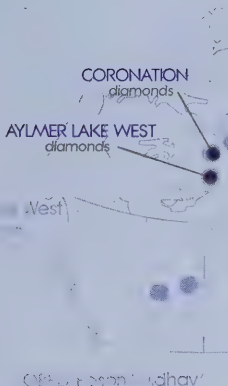
In Yellowknife, Shear was fortunate to have located all previous drill core from the NBK. In fall 2000, re-logging and re-interpretation of drill holes concluded that the NBK was far more complex than previously reported. The kimberlite is more than 500m in length, composed of at least two phases and remains untested in several directions. Shear analysed previously unprocessed kimberlite core for both indicator mineralogy and diamond analysis. A sample totaling 127.7-kg was submitted for caustic fusion analysis and a total of 1,180 diamonds were recovered of which 6 were macrodiamonds. These results indicate a much greater abundance of diamonds than was previously reported. Indicator mineral chemistry supports the diamondiferous nature of this pipe.

Shear's interest in this region stemmed from the fact that the property and the region had sat dormant since 1994, one known kimberlite occurred on and over 44 kimberlites were known within a 30 kilometres. Shear believed the chances of additional kimberlite discoveries was high. A second look at both the existing NBK and the untested targets on the property was required. Earlier work conducted by previous operators totaled more than \$1,500,000 for the property and surrounding area, but was regional and widely-spaced in nature. These years were the learning curve years for diamond exploration in Canada.

During September 2001, priority geophysical targets were ground checked and sampled for indicator minerals in beach sands. One target returned two pyrope garnets. Samples from two additional targets recovered olivine and chromite from the finer fraction of concentrate. Olivine and chromite are the dominant indicator minerals in the diamondiferous Nicholas Bay and NIC2 kimberlites. Past till sampling in the region has had limited success recovering diamond indicator minerals, including samples taken proximal to the known Nicholas Bay and NIC2 kimberlites. Studies have indicated that background values for diamond indicator minerals in this region are very low to non-existent. These new 2001 indicator mineral anomalies may demonstrate that detailed sampling can be used as an effective exploration tool to prioritize specific geophysical targets.

Results to date indicate that the NBK is clearly a high-priority target that is more complex than previously thought. In addition, a number of high priority geophysical targets have been defined on the property, many within four km of the NBK. Due to the high microdiamond counts at the Nicholas Bay Kimberlite Complex, the remaining 300 kg of kimberlite core will be analyzed for diamonds as part of this year's exploration program. Based on these results, the next phase of exploration will involve delineation drilling of the NBK and NIC2 Complex followed by a 5-10 tonne mini-bulk sample. Elsewhere on the property, a number of priority geophysical targets have been outlined for extensive ground geophysical surveying with a focus on EM anomalies, and follow-up drill testing.

Shear has recently announced the acquisition of a larger land package in this region, increasing our property size to more than 150,000 acres. These recent acquisitions are from Kennecott Canada Exploration Inc. and from an option agreement with Intertech Minerals Ltd. whereby Shear can acquire up to a 60% interest in ten claims encompassing four diamond-bearing kimberlites (DA-13 and Jordan). Shear is prioritizing this area as the southeast extension of the Lac de Gras kimberlite field.



Diamond exploration by Shear in the North Slave region of Nunavut started in 1997. Shear acquired 100% interest in the Coronation Diamond Property ("CDP") claims in 1997, gradually reducing the land package to retain only claims demonstrating the highest potential. The property currently consists of 34 claims covering over 70,000 acres within data coverage of over 20 square kilometres. In February 2002, Shear announced the signing of a Letter of Intent with First Narrows Resources Corp. for ongoing diamond exploration at the CDP. This alliance is the latest development in Shear's strategic commitment to evaluating and advancing Shear's diamond projects in a timely manner. Under the terms of the agreement, First Narrows will fund the next \$1,000,000 in exploration expenditures and issue up to 700,000 shares to Shear to earn an 80% interest in the CDP. Work planned for the winter 2002 season is directed at developing priority kimberlite targets using ground geophysics and drill testing.

The CDP is located within the Kitikmeot Region of the Nunavut Territory, 450 kilometres northeast of the City of Yellowknife, 150 kilometres northeast of the Lac de Gras diamond mines and 125 km southeast of the North Slave Coronation Diamond District kimberlite discoveries. Currently, scoping studies have been completed for the development of a deep-sea port at Bathurst Inlet and an all-weather road. With these encouraging initiatives and local government support we expect to see accelerated advancement of the mining potential in this region.

The CDP, predominately underlain by the same Archean aged rocks as the Lac de Gras, is likely favorable for the formation and preservation of diamonds and their subsequent transport to surface by kimberlitic magmas. Many kimberlites, including recent discoveries such as the Artemisia and Potentilla kimberlites, have been discovered at greater distances than the CDP from the Lac de Gras region in the north Slave craton. Our property has potential and the lack of a discovery of a kimberlite in this region has likely been a result of logistical difficulties (remoteness) and minimal exploration expenditures.

Prior exploration work in the area for diamonds has been regional in nature and sparse. Most of the work has focused on iron formation-hosted gold projects such as Kinross Gold Corporation's George/Goose Lake gold deposits (1.2 million oz.). At the CDP, past owners have spent more than \$1,000,000, including a 15,000 line-km regional airborne geophysical survey (200m line spacing) and limited till and stream sampling. Exploration has shown that kimberlites in the Lac de Gras field are usually small, and widely spaced flight lines may miss such targets. Geophysics at tighter line spacing is generally required. Regardless, more than 150 anomalies have been chosen for follow up exploration.

During the summer of 1998, Shear collected 162 till and stream samples, completed air photo structural and glacial interpretations, and conducted ground verification and prospecting/sampling of selected geophysical targets. Kimberlite indicator minerals found in several samples indicate a source on or in the vicinity of our CDP. As a result of the widespread sample spacing, Shear conducted a target specific sampling program in the fall of 2000 to evaluate 15 higher priority geophysical targets. Anomalous samples were found to cluster at six geophysical targets, including one high priority target referred to as the 'Crown' Anomaly. These targets will be tested by our joint venture in 2002.

CORONATION
DIAMOND
PROPERTY
Nunavut Territory



SHULIN LAKE PROPERTY

Alaska

The Shulin Lake Property, consisting of 99 State Mining Claims covering a total area of 12,600 acres, is located approximately 300 kilometres north of Anchorage, Alaska. In March 2001, Shear signed an amending agreement whereby Shear had a 24% vested interest in the property. Shear currently owns an 18% working interest in the property with partners Shulin Lake Mining Inc. and Golconda Resources Inc. Although Alaska is not the traditional model for diamonds, diamonds have been reported from various operations in the State. Shear has maintained an interest at Shulin to preserve our goal of participating in varied diamond programs in diverse geological environments.

Previous exploration at the Shulin Lake property resulted in the discovery of gold and anomalous diamond indicator mineral work indicative of alkaline mafic/ultramafic source rocks that may include kimberlites, lamproites or both in the region. Since 2000, programs at Shulin have centered on a large basement magnetic-high anomaly that underlies the property, and have consisted of till/stream/rock sampling, prospecting, and airborne and ground geophysical surveying over six targets suggestive of shallow-sourced geophysical anomalies that may indicate intrusives.

Golconda press releases in February and March of 2002, indicated that reverse and core drilling programs will follow-up one of the targets in which an interesting rock was intersected at a depth of 190 feet in last year's drilling. The rock contained small tuff fractions and grains of olivine, pyroxene, eclogitic garnets and diamond stability field chromites. Samples are currently being processed and results are pending. Shear continues to evaluate technical information supplied by the joint venture partners. We look forward to upcoming results from this emerging frontier.



The Alberta Diamond Play continues to produce new kimberlite discoveries and diamond results. Currently, 46 kimberlites have been discovered in three clusters, of which more than 50% are diamondiferous. In comparison, the world average for diamondiferous kimberlites is only 14%. Shear has been involved in Alberta since 1998 and continues to advance selected properties through drilling. Shear's requirements for ground acquisition in Alberta include minimal till thickness, favorable regional geology and structure, good access and positive past work results. Shear will continue to advance selected Alberta properties due to our belief in its high diamond potential.

Birch Mountains Joint Venture

In October 2001, Shear Minerals Ltd. and Marum Resources Ltd. entered into an option agreement whereby Shear and Marum (50/50) can earn up to a 90% interest in the diamond rights of the Birch Mountain property in northeastern Alberta from Birch Mountain Resources Ltd. The Birch Mountain property, consisting of ten mineral exploration permits that cover approximately 225,000 acres, is located 100 kilometres northwest of Fort McMurray. Aeromagnetic data indicated the presence of a population (more than 50) of distinct high-intensity magnetic high anomalies. These anomalies, probably representative of igneous intrusive rocks such as kimberlite, cluster within a corridor interpreted to have intersecting structural controls conducive to possible kimberlite emplacement. As such, they are excellent diamond targets, of which ten anomalies were designated as priority. Winter ground access is possible to the property using existing oil and gas exploration access roads together with snowmobile trails. This large cluster of anomalies occurs at moderate elevations within the Birch Mountains, where overburden thickness is expected to be thin. The majority of the anomaly sites have significant diversion of surface drainage. Geophysics was conducted on nine targets, three of which were prioritized for drill testing. No kimberlite was intersected and the cause of the anomaly was interpreted as magnetic material in glacial till. Shear and Marum have met their first year exploration commitments and will be reviewing the remainder of the property for follow-up sampling.

Hippogrif Joint Venture

Shear Minerals Ltd. and Marum Resources Inc. (50/50) entered into an exploration option agreement with New Blue Ribbon Resources Ltd. and Montello Resources Ltd whereby Shear and Marum can earn a 50% interest in the property by spending \$50,000 in exploration no later than February 28, 2002. The deal was signed and work accelerated so that the target could be drilled in association with the spring drill program in the Birch Mountains. The property is host to the prominent Hippogrif Anomaly, chosen by previous operators as a high priority prominent drill ready kimberlite target from ground geophysics. Hippogrif is located in the northwestern part of the New Blue Ribbon/Montello Legend Diamond project where nine kimberlites have been discovered to date. The target was drilled to a depth of 150 feet, but the hole was abandoned due to the presence of boulder-rich till. As a result, the anomaly remains untested.

Fort Vermilion Diamond Project

The Fort Vermilion Diamond project (Shear 50/Marum 50) consists of 32 mineral permits (725,000 acres) recently acquired in the highlands of north-central Alberta. The property was acquired on the basis of favorable geological indications. Diamond targets are currently being evaluated. Road access is excellent and in most areas of the property and drilling operations can be conducted at anytime during the year.

ALBERTA
DIAMOND PLAY

Alberta Properties

- BIRCH MOUNTAINS
- HIPPOGRIF
- FORT VERMILION
- PELICAN MOUNTAINS
- OBED

Pelican Mountains Property, Alberta

Shear's Pelican Mountains Property (34,000 acres) is located 150 kilometres northeast of Edmonton, along the south flank of the Peace River Arch, underlain by basement cratonic rocks termed the Buffalo Head Craton that is currently the focus of extensive diamond exploration in northern Alberta. The Pelican Mountain region is host to major faults, surface lineaments and other features indicative of structural breaks that are considered favourable pathways for kimberlite volcanism. This area has recently attracted BHP Diamonds Ltd., which has acquired the mineral rights to over 70 townships adjoining and surrounding Shear's holdings.

In 1998, an airborne magnetic survey conducted over the area identified twenty-eight anomalies with kimberlite signatures. Sampling of selected anomalies returned several kimberlite indicator minerals, including pyrope garnet, eclogitic garnet, low-chrome diopside, picroilmenite, and chromite grains. In general, the indicator minerals from the sampling program suggests of kimberlite or lamproite magmatism within the region.

During early 2000, ground magnetic surveying was performed on two high priority targets, confirming that the anomalies had signatures similar to other kimberlites discovered to date in Alberta. These two anomalies are between 200 and 300 metres in diameter and have intensities of approximately 40 nanoteslas. In spring 2001, Shear attempted to drill test one of these targets. Unfortunately, the hole was abandoned due to unseasonably warm weather and the presence of an aquifer at depth. However, given the recent interest in this area, Shear will continue to evaluate these targets.

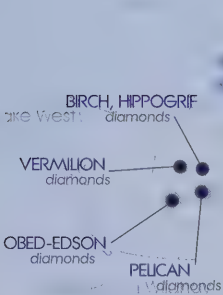
OBED - Edson Properties, Alberta

In 2000, Shear acquired a 100% interest in the OBED-Edson Properties, which total 320,000 acres and are located in west-central Alberta, approximately 260 kilometres west of Edmonton. Currently the property covers 30,000 acres that protects untested priority kimberlite targets. Placer gold has historically been panned from many of the major rivers in the vicinity of the OBED-Edson Property, but the region also has a long history of diamond discoveries, including the first diamond found in Alberta and 23 diamonds recovered from a nearby creek.

Exploration conducted by previous operators has resulted in the recovery of anomalous metals and kimberlite indicator minerals in bedrock, till and stream samples. Diamond inclusion quality chromites, found in some of the samples have some of the best chemistries seen in Alberta to date. There is a reasonable possibility that an intrusive kimberlitic or lamproitic body may exist within or in close proximity to the OBED-Edson Property. Anomalous gold, silver, zinc, cadmium, and chromium have also been recovered from stream and rock samples collected from the region.

In late 1999, Shear acquired high-resolution fixed-wing airborne magnetic data for the properties. Several circular to semicircular anomalies are visible in the magnetic data, including three prominent magnetic features and eight subtle high frequency magnetic highs and lows around the periphery of a large basement magnetic high.

In 2002, exploration on the OBED-Edson Properties will include ground verification of the airborne geophysical targets, followed by ground geophysics and drill testing of priority targets.



Shear holds the title to several gold properties in the Nunavut Territory, which add value to Shear's portfolio. Most of the claims within these properties are in good standing for the next few years. At present, Shear has placed these properties on the 'back burner' in regards to any major programs pending any new developments in the area or increases in the price of gold. In 2003, due to recent interest, Shear plans to conduct limited reconnaissance work on these gold occurrences in conjunction with planned diamond exploration in the region. The Bathurst Inlet Port & Road Project is advancing and preliminary studies indicate that it is a viable project. Scoping studies have been completed and Feasibility and Environmental Baseline Studies are presently underway.

Bathurst Property Hen, Hunt, Bear Leases

- 100% interest in five mineral leases covering 12,400 acres
- Located on Inuit Owned Land Parcels; Grandfathered mineral rights
- Located 30km east of the proposed port facility at Bathurst Inlet
- Past expenditures by Echo Bay Mines Ltd. totals \$700,000.
- Discovery of 15 gold showings found in complex folded iron formation
- Best intersection to date is 9.12 g Au/t over 2.85m; rock grab samples have assayed up to 167.8 g Au/t
- Drill ready targets
- Kimberlite potential
- Currently: strategic alliance being created with the Nunavut governments, associations and universities as the topic of future collaborative study.

BR Property

- 100% interest in four claims covering 10,330 acres
- Claims are in good standing until 2005
- Past expenditures total \$175,000
- Gold zones found in twice folded iron formation and sheared volcanic rock
- Rock chips have assayed up to 3.4 g Au/t over 3m
- Over 30 km of favourable strike extent

Nose Property

- 100% interest in two claims covering 5,165 acres
- Claims are in good standing until 2003
- Past expenditures total \$75,000
- Potential gold zones in two iron formational units up to 12m wide
- Rock samples have assayed up to 7 g Au/t

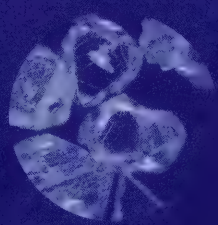
Shear relinquished the Miminiska Lake Gold Property to Landore Resources Ltd. after keeping the option current since 1997.

GOLD PROJECTS

Nunavut Territory

BATHURST
BR
NOSE





Financials

Overview

Shear Minerals Ltd. is an active junior mineral resource exploration company that has property interests in North America with diamond and/or gold potential. The Company is concentrating exclusively on exploration and development projects for its diamond properties, which are located in northern Alberta, the Northwest and Nunavut Territories and Alaska. These mineral-rich regions are favourable investment climates in that they are economically proactive, politically stable and committed to infrastructure development. The Company's gold properties are inactive, due to the prevailing gold market depression.

MANAGEMENT'S DISCUSSION & ANALYSIS

Risk Management

The Company's primary objective is to discover an economic diamond mine. The success of the Company's business is subject to a number of factors, including but not limited to those risks normally encountered in the mining industry, such as operating hazards, exploration uncertainty, increasing environmental regulation, competition with companies having greater resources, lack of operating cash flow, and foreign currency fluctuations. In addition, there is no quoted market price for diamonds and the market price for rough diamonds is dependent on an efficient market management system.

None of the Company's properties are in production. Thus, the company has no operating income and no earnings; exploration activities are financed by the sale of common shares. Consequently, the Company's net income is not a meaningful indicator of its performance or potential. If a decision is made to develop a mining operation, substantial long-term financing will be required.

The Company has successfully employed many strategies to minimize overhead and reduce financial risk in exploration, such as:

- Advancing its own properties and/or participating in the advancement of third party properties through joint venture and/or option agreements with third parties;
- Coordinating field work with regional competitors to reduce mobilization costs and take advantage of existing infrastructure;
- Closely monitoring industry developments and revisiting existing data to identify overlooked and/or new opportunities;
- Outsourcing corporate and field support capacity as needed, rather than employing full-time staff;
- Maintaining its headquarters in Edmonton, Alberta, Canada, which is the transportation gateway to the Company's northern operating locations and has been identified by KPMG in their recent international cost-comparison report as offering the lowest overall business costs of 86 large and medium-sized key cities from North America, Europe, and Japan.

Financial Summary

The Company has had no operating revenues to date, as it has not commenced mining operations. The Company incurred a net loss of \$269,683 for the year ended November 30, 2001, as compared to a net loss of \$187,625 for the year ended November 30, 2000. Interest income in 2001 increased to \$9,287 from \$512 in 2000 due to a higher average cash balance in short-term deposits.

The Company's administrative expenses were virtually unchanged at \$155,240 for 2001 as compared with \$157,612 for 2000. The absence of a brokered public placement in 2001 reduced related professional fees by \$32,413 between years and offset a general increase in other administrative costs of \$30,041 due to increased exploration and corporate activity during 2001. It is anticipated that administrative expenses will continue to increase relative to the complexity and volume of field and financing work that is required to advance the Company's property portfolio.

The Company regularly analyzes the economic potential of all of its properties in order to determine which do not warrant further expenditures. A total of \$201,374 in general prospecting expenses and costs relating to abandoned properties was charged to expense in 2001 as compared to a total of \$30,525 for the prior period. This increase is a reflection of the Company's continued commitment to identify and investigate highly prospective leads while prioritizing targets and defining its core assets in a cost effective manner.

Following its focus on financing activity and corporate development in 2000, the Company concentrated on exploration and fulfillment of contractual obligations during 2001. Thus, the Company issued only 500,000 common shares in 2001 to acquire contractual options for mineral properties as compared with 1,250,000 in the prior period. Similarly, cash expenditures on the acquisition of mineral properties decreased to \$54,483 from \$125,558. Conversely, cash expenditures on exploration increased from \$270,744 to \$568,215.

The operations of 2001 were financed by share issuance in 2000. Although \$57,000 was raised in 2001 through the exercise of pre-existing warrants and options (2000 - \$785,999), there were no other shares issued for cash in 2001 (2000 - \$1,015,625). As a result, the current assets of the Company were depleted by operations during 2001 from \$632,961 to \$65,333 as at year-end.

Subsequent to year-end, the cash position of the Company was replenished with the completion of two non-brokered private placements. Gross proceeds of \$376,500 were raised for exploration activity on the issue of 1,682,500 flow-through common shares and gross proceeds of \$425,000 were raised for unallocated working capital on the issue of 1,700,000 regular common shares.

The Company has sufficient financial resources to fund the initial phases of the planned 2002 exploration program as well as the anticipated 2002 non-project expenditures. The total amount to be spent during 2002 on exploration will depend on results obtained from the initial phases of planned programs. Additional financing may be required to meet the total capital requirements for exploration in 2002. The Company's on-going ability to finance exploration beyond those programs budgeted to date will depend on viability of the equity markets.

Pamela Strand, P. Geol.
President and CEO

April 2, 2002

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February 5, 2002

Auditors' Report

**To the Shareholders of
Shear Minerals Ltd.**

We have audited the consolidated balance sheets of **Shear Minerals Ltd.** as at November 30, 2001 and 2000 and the consolidated statements of loss and deficit and cash flows for each of the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at November 30, 2001 and 2000 and the results of its operations and its cash flows for each of the years then ended in accordance with Canadian generally accepted accounting principles.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Accountants

Edmonton, Alberta

PricewaterhouseCoopers refers to the Canadian firm of PricewaterhouseCoopers LLP and other members of the worldwide PricewaterhouseCoopers organization.

	2001 \$	2000 \$
Assets		
Current assets		
Cash	5,196	606,069
Accounts receivable	38,756	26,705
Prepays	21,381	187
	<hr/>	<hr/>
	65,333	632,961
Investment (note 3)	24,300	27,000
Equipment (note 4)	20,673	2,543
Mineral properties (notes 5 and 10)	2,109,937	1,606,112
	<hr/>	<hr/>
	2,220,243	2,268,616
	<hr/>	<hr/>
Liabilities		
Current liabilities		
Accounts payable and accruals	235,838	76,353
Share subscriptions received (note 10)	12,000	-
	<hr/>	<hr/>
	247,838	76,353
Future income taxes (note 6)	182,000	261,144
	<hr/>	<hr/>
	429,838	337,497
	<hr/>	<hr/>
Shareholders' Equity		
Share capital (note 7)	2,483,024	2,354,055
Deficit	(692,619)	(422,936)
	<hr/>	<hr/>
	1,790,405	1,931,119
	<hr/>	<hr/>
	2,220,243	2,268,616
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Approved by the Board of Directors

(Signed) Pamela Strand
 _____ Director

(Signed) Donald Planche
 _____ Director

	2001 \$	2000 \$
Revenue		
Interest	9,287	512
Expenses		
General and administrative	73,768	68,033
Management fees	55,500	44,200
Consulting fees	11,735	2,206
Professional fees	9,222	41,635
Interest	5,015	1,538
	155,240	157,612
	(145,953)	(157,100)
Loss on sale of securities	(1,500)	-
Write down of mineral properties	(201,374)	(30,525)
Loss before income taxes	(348,827)	(187,625)
Future tax recovery (note 6)	(79,144)	-
Net loss for the year	(269,683)	(187,625)
Deficit – Beginning of year	(422,936)	(235,311)
Deficit – End of year	(692,619)	(422,936)
	\$	\$
Loss per share	(0.017)	(0.014)
	#	#
Weighted average number of shares outstanding	15,883,703	13,003,975

	2001 \$	2000 \$
Cash provided by (used in)		
Operating activities		
Net loss for the year	(269,683)	(187,625)
Items not affecting cash		
Depreciation	3,977	449
Write down of mineral properties	201,374	30,525
Loss on sale of securities	1,500	-
Future tax recovery	(79,144)	-
	(141,976)	(156,651)
Net change in non-cash working capital balances relating to operating activities	126,239	(88,680)
	(15,737)	(245,331)
Financing activities		
Issuance of shares	57,000	1,219,498
Share subscriptions received	12,000	-
Share issue costs	(10,531)	(155,416)
	58,469	1,064,082
Investing activities		
Mineral properties		
Acquisition costs	(54,483)	(125,558)
Exploration costs	(568,215)	(270,744)
Purchase of equipment	(22,107)	(2,992)
Net proceeds from sale of securities	1,200	-
	(643,605)	(399,294)
(Decrease) increase in cash	(600,873)	419,457
Cash – Beginning of year	606,069	186,612
Cash – End of year	5,196	606,069

1 Nature of operations

Shear Minerals Ltd. (the "Company" or "Shear") was incorporated, under the Business Corporations Act (Alberta) on November 16, 1995. In February 1996, the Company obtained a listing on the Alberta Stock Exchange as a junior capital pool company pursuant to Alberta Securities Commission's Policy 4.11 ("Policy 4.11"). On December 12, 1997, the Company completed its major transaction within the meaning of Policy 4.11 and commenced its operation as a junior mineral exploration Company whose activities are primarily in Canada.

The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain precious mineral reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties is dependent upon the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain necessary financing to complete the development, and upon future profitable production or proceeds from disposition of the mineral properties. The amounts shown in note 5 represent costs to date for property acquisition (including mineral claims and permits) and exploration expenditures, and do not necessarily reflect present or future values.

2 Accounting policies

Use of estimates

These financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada. Because the precise determination of many assets, liabilities, revenues and expenses are dependent on future events, the preparation of financial statements for a period necessarily includes the use of estimates and approximations which have been made using careful judgement. Actual results could differ from those estimates. These financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary 974134 N.W.T. Limited ("NWT").

Cash

Cash is defined as cash on deposit, term deposits in money market instruments with original maturities of less than three months and bank overdrafts repayable on demand.

Investments

Long-term portfolio investments in which the Company does not have significant influence are carried at cost. When there is a decline in value that is other than temporary, a write down is recorded.

Equipment

Equipment is recorded at cost less accumulated depreciation. Depreciation is calculated using the straight-line method at 30% per annum on computer equipment and 20% per annum on camp equipment.

Mineral properties

Direct costs relating to the acquisition, exploration and development of mineral properties, including interest on borrowings directly related to a property, are capitalized on an area of interest basis. Operator recoveries are credited to exploration costs. Cumulative expenditures will be charged against income, through unit-of-production depletion, when properties are developed to the stage of commercial production. Where the Company's exploration commitments for an area of interest are performed under option agreements with a third party, the proceeds of any option payments under such agreements are applied to the area of interest to the extent of costs incurred. The excess, if any, is credited to operations. If an area of interest is abandoned or management determines there is a permanent and significant decline in value, the related costs are charged to operations.

Income taxes

The asset and liability method is used for determining income taxes. Under this method, future tax assets and liabilities are recognized for the estimated tax recoverable or payable that would arise if assets and liabilities were recovered and settled at the financial statement carrying amounts. Future tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. Changes to these balances are recognized in income in the period in which they occur. The amount of future income tax assets recognized is limited to the amount that is more likely than not to be realized.

Flow-through common shares

The Company credits the proceeds of flow-through common shares, which transfer the deductibility of exploration expenses to the investor, to share capital. A future tax liability is recorded and share capital is reduced by the cost of future taxes when the expenditures are renounced to the holder of these shares.

Stock compensation

The Company does not recognize compensation expense on stock options granted to employees, directors and certain consultants unless the share price exceeds the exercise price at the date of grant.

Loss per share

Basic loss per share is calculated using the weighted average number of shares outstanding during the year. Diluted loss per share is not presented, since it is anti-dilutive.

Joint interest options

Certain of the Company's exploration activities are conducted jointly with others. These financial statements reflect only the Company's proportionate interest in such activities.

3 Investment

	2001	2000
	\$	\$
Ellesmere Minerals Ltd. – 90,000 common shares (2000 – 100,000)	24,300	27,000

The market value of these shares based on the trading price at November 30, 2001 was \$10,800 (2000 – \$23,000).

4 Equipment

	2001		2000	
	Cost \$	Accumulated depreciation \$	Net \$	Net \$
Camp equipment	18,505	2,484	16,021	-
Computer equipment	6,594	1,942	4,652	2,543
	25,099	4,426	20,673	2,543

5 Mineral properties

			2001	2000
	Percentage ownership interest %	Acquisition costs \$	Exploration costs \$	Net carrying amount \$
Alberta				
North East Alberta	100	-	-	10,994
Pelican Mountains	100	600	117,281	86,941
Boys From the Hall	85	-	-	63,940
OBED-Edson	100	83,000	17,761	95,696
Birch Mountain	*	1,500	3,081	-
Northwest and Nunavut Territories				
BR	100	88,475	167,052	255,527
Nose Lake	100	88,475	55,926	144,401
Bathurst	100	85,461	7,316	77,623
Aylmer Lake West	49	62,050	428,436	81,217
Coronation				
Diamond	100	299,991	168,643	466,634
Ontario				
Miminska Lake		-	-	115,696
Vermilion River	50	13,500	1,068	14,568
Alaska				
Shulin Lake	24	173,250	179,886	353,136
Other deferred expenditures		64	67,121	67,185
		896,366	1,213,571	2,109,937
				1,606,112

*Represents an option to earn an ownership interest. See specific disclosure below.

Cumulative exploration costs include \$25,000 of capitalized interest costs and credits for operator recoveries of \$17,182.

Contractual options and commitments

a) OBED-Edson

In December, 1999, the Company acquired a 100% interest in certain mineral permits located in Alberta, referred to as the OBED-Edson property, by the issuance of 500,000 common shares at \$0.165 per share and the reservation of a 2% gross overriding royalty. A further 500,000 common shares are reserved for property payments contingent on future events occurring.

b) Birch Mountain

On November 2, 2001, the Company and Marum Resources Inc. ("Marum") entered into an Option Agreement with Birch Mountain Resources Ltd. ("Birch") whereby Shear and Marum

can earn up to 90% interest (45% Shear and 45% Marum) in the diamond rights of the Birch Mountain property in northeastern Alberta.

Shear has agreed to issue 50,000 common shares to Birch (note 10). Shear and Marum are equal partners in the option and will enter into a joint venture agreement with mutual dilution provisions. Shear will be the operator of the project.

Shear and Marum can earn a total of 30% combined interest in the diamond rights by combined spending of \$150,000 on exploration during the first year of the option. Shear and Marum can earn an additional 30% combined interest in diamond rights by combined spending of a further \$150,000 within two years of the signing of the agreement and a final 30% combined diamond rights interest, for a total of 90% by combined spending of an additional \$250,000 within three years of the signing of the agreement. Birch will retain a 10% carried interest in the project and will hold a 2% gross overriding royalty on diamond production from the property. Shear and Marum may purchase 1% of the gross overriding royalty at any time for a payment of \$2 million.

c) Aylmer Lake West

In February 2000, the Company issued 200,000 common shares at \$0.31 per share to Diamondex Resources Ltd. for an option to earn a provisional 49% interest in seven claims comprising the Aylmer Lake West property. To maintain its option, the Company must spend \$60,000 prior to March 1, 2001, and an additional \$140,000 prior to June 30, 2002. In May 2001, Shear fulfilled its obligations to earn a vested 49% ownership interest. Since vesting, the property has operated under a joint venture agreement with Diamondex. The Company is also obligated to pay a 3.5% gross underlying royalty on production from the property.

d) Miminiska Lake

In July 1997, the Company's subsidiary, NWT, signed an Option Agreement with Pinnacle Resources (1996) Ltd. ("Pinnacle") to acquire a 51% earn-in on Miminiska Lake Patented Claims (1,120 acres) and 150 units (5,925 acres) staked in July 1997, both in Northwestern Ontario, with Brancote Canada Ltd.

The option term was for ten years with extensions, provided the properties were maintained and work was carried out. The earn-in was for 51% after incurring expenditures of \$2,000,000 by NWT.

Effective September 2001, the Company formally concluded that it would not complete its contractual options related to this property and the agreement was terminated. As a result, the cumulative costs of \$118,940 were written off in the year.

e) Shulin Lake

In December 1999, Shulin Lake Mining Inc. ("Shulin") granted the Company an option to earn into a 50% interest in certain claims (the "Shulin Lake Property") located in Alaska, U.S.A. To acquire the option, the Company was to issue 1,400,000 common shares to Shulin at a deemed value of \$0.165 per share, and to incur \$275,000 in exploration expenditures on or before March 31, 2002. Under the agreement the Company issued a total of 800,000 shares to Shulin and incurred \$144,000 on exploration over the course of one year before re-negotiating an Amending Agreement dated March 29, 2001.

Under the Amending Agreement, the Company acquired a 24% vested interest in the property by issuing a further 250,000 shares to Shulin, on the basis that Shulin would contribute the next \$150,000 in exploration expenditures.

If the Company decides not to participate in future exploration costs, their interest will be diluted on a pro-rata basis to a minimum 4% profit interest (note 10).

Other commitments

The Company is obligated to pay a:

- f) 1% gross overriding royalty fee on its Pelican Mountains property;
- g) 1.5% net smelter royalty fee on its Nose Lake and BR properties;
- h) 2% net smelter royalty fee on its Bathurst property; and a
- i) 1% net smelter royalty fee on its Coronation Diamond property.

6 Income taxes

The Company's income tax recovery is made up of the following:

	2001 \$	2000 \$
Income tax recovery based on a combined federal and provincial (territorial) tax rate of 42.12% (2000 – 43.12%)	146,926	80,904
Increase (decrease) in taxes resulting from:		
Effect of tax rate reductions	6,056	-
Non-deductible and other items	(5,326)	(6,308)
Benefit of losses and future deductions not recorded	(68,512)	(74,596)
	<u>79,144</u>	<u>-</u>

The future income tax assets and liabilities comprise the following temporary differences:

	2001 \$	2000 \$
Equipment	3,890	194
Deductible finance fees	50,955	66,462
Non-capital tax losses	210,166	130,190
Net capital tax losses	347	-
Valuation allowance	(265,358)	(196,846)
Future income tax assets – long-term Mineral properties	<u>(182,000)</u>	<u>(261,144)</u>
Future income tax liabilities – long-term	<u>(182,000)</u>	<u>(261,144)</u>

The Company has incurred the following non-capital losses for tax purposes:

	Non-capital loss \$	Expiry Date
November 30, 1997	2,008	2003
1998	75,680	2004
2000	224,238	2006
20017	197,043	2007
	<u>498,969</u>	

7 Share capital

Common shares

Authorized

Unlimited number of common shares

Unlimited number of preferred shares

Issued and issuable

	2001		2000	
	Number	\$	Number	\$
Balance – Beginning of year	15,419,831	2,354,055	10,875,332	1,122,227
Shares issued for cash	-	-	2,508,500	1,015,625
Share options exercised	20,000	2,000	70,000	15,000
Warrants exercised	333,333	55,000	715,999	142,860
Shares issued for other consideration	500,000	82,500	1,250,000	235,250
Share issue costs	-	(10,531)	-	(176,907)
Balance – End of year	<u>16,273,164</u>	<u>2,483,024</u>	<u>15,419,831</u>	<u>2,354,055</u>

During the year ended November 30, 2001 the Company issued 500,000 common shares (2000 – 1,250,000) common shares) to acquire and satisfy contractual options for mineral properties as described in note 5.

In May 2000, the Company issued 350,000 common shares at \$0.30 per share and 607,000 flow-through common shares at \$0.35 per share in a private placement for total proceeds of \$317,450. The Company will be required to incur \$212,450 of qualifying expenditures to be renounced to holders of the 607,000 flow-through shares.

In September 2000, the Company issued 1,551,500 units in a public offering at a price of \$0.45 per unit, for total proceeds of \$698,175. Each unit issued is comprised of one common share and one flow-through common share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of \$0.60 to be issued as a flow-through share exercisable at any time within two years of the closing of the offering, October 11, 2000. In addition, 155,150 warrants

were issued to the agent at an exercise price of \$0.45 per common share, to expire on October 11, 2002.

In October 1999, the Company issued 1,500,000 units in a private placement at a price of \$0.165 per unit. Each unit is comprised of one common share and one warrant to acquire one common share at a price of \$0.165 per common share to expire January 17, 2002. Subsequent to year-end, 1,000,000 warrants, representing the balance outstanding at November 30, 2001, were exercised.

Share options

The Company has established a share option plan for the benefit of directors and management and certain consultants of the Company. The following table summarizes activity related to share options:

	2001		2000	
	Number of Shares #	Weighted average exercise price \$	Number of Shares #	Weighted average option price \$
Balance – Beginning of year	900,000	0.25	70,000	0.17
Granted	460,000	0.25	900,000	0.25
Exercised	(20,000)	(0.10)	(70,000)	(0.21)
Balance – End of year	1,340,000	0.25	900,000	0.25

On July 5, 2001, the Company granted 460,000 options at an exercise price of \$0.25 per share, to expire in July 2005. All of these options remain outstanding at November 30, 2001.

On December 30, 1999, the Company granted 900,000 options at an exercise price of \$0.25 per share, to expire in December 2004. At November 30, 2001, 880,000 of these options remain outstanding.

Warrants

	2001		2000	
	Number of shares #	Weighted average exercise price \$	Number of shares #	Weighted average exercise price \$
Balance – Beginning of year	3,039,983	0.40	2,049,332	0.18
Issued	-	-	1,706,650	0.59
Exercised for shares	(333,333)	0.165	(715,999)	0.20
Balance – End of year	2,706,650	0.43	3,039,983	0.40

8 Related party transactions

The Company has incurred the following transactions with companies in which certain directors and officers of the Company have significant influence:

	2001 \$	2000 \$
Pinnacle		
Interest	-	25,000
Apex Geoscience Ltd.		
Exploration expenditures	-	28,432
General and administration expenditures	-	846
Encore Resources		
Management fees	55,500	44,200

Effective January 2000, Apex Geoscience Ltd. ceased to be a related party and effective May 2000, Pinnacle ceased to be a related party since directors of the Company no longer have significant influence over these companies. The above amounts reflect transactions during the period these companies were related.

9 Financial instruments

The Company's financial instruments recognized in the balance sheet consist of cash and term deposits, accounts receivable, investment and accounts payable and accruals. The Company has no unrecognized financial instruments.

Other than the investment, the estimated fair market values of these financial instruments approximate their carrying values due to their short-term maturity. The fair value of investments in marketable securities is determined by the trading price of the shares at the balance sheet date.

10 Subsequent events

Birch Mountain property

In January 2002, the Company issued 50,000 common shares to Birch Mountain Resources Ltd. at a deemed value of \$0.18 per share in accordance with an Option Agreement entered into before year-end.

Vermillion River property

In January 2002, the Company made a formal decision not to pursue its interest in the Vermillion River property. As a result, property costs in the approximate amount of \$14,600 will be written off in the first quarter of 2002.

Shulin Lake property

In January 2002, the Company made a formal decision to allow its vested interest in Shulin Lake to become diluted to approximately 18% by not participating in a proposed exploration program in February 2002.

Coronation Diamond property

On February 5, 2002, the Company signed a letter of intent with First Narrows Resource Corp. ("First Narrows") to grant First Narrows an option to earn up to an 80% interest in the Coronation Diamond property by incurring specified levels of exploration expenditures and issuance by First Narrows of up to 700,000 common shares to the Company prior to December 31, 2004. This transaction is subject to regulatory approval.

Private placements

On December 31, 2001, the Company completed a non-brokered private placement for 882,500 units at a price of \$0.20 per unit for gross proceeds of \$176,500. Each unit consists of a flow through common share and a non-transferable half-warrant. One whole warrant allows the subscriber to purchase a further common share of Shear at \$0.20 for a period of one year. At November 30, 2001, \$12,000 of share subscriptions had been received.

On February 4, 2002, the Company announced a non-brokered private placement for up to 2,500,000 units at a price of \$0.25 per unit, for gross proceeds of up to \$625,000. Each unit will consist of one common share and one share purchase warrant. One warrant will entitle the holder to acquire one additional common share of the Company at \$0.32 for a period of two years. 800,000 of the units will be flow-through units.

MANAGEMENT TEAM

Pamela D. Strand
P. Geol.
President & CEO

Ms. Strand has been the President and CEO of the Corporation since 1997. Since 1988 Ms Strand has been employed as a geologist in the exploration and mining industry. This has included work as a District Geologist for the Department of Indian Affairs and Northern Development, and as an exploration geologist for Miramar Mining Corporation, Homestake Mineral and Development and Noble Peak Resources Ltd. Ms. Strand was also Vice President, Corporate Development for Pinnacle Resources (1996) Ltd., a mineral property broker for 2 years. She is a Professional Geologist with APEGGA and a Director of the NWT and Nunavut Chamber of Mines. Ms. Strand is also currently a Director on several private companies. Ms. Strand has a B.Sc. from the University of Toronto and a M.Sc. in Economic Geology from the University of Western Ontario.

Donald R. Planche
Vice President & Director

Mr. Planche is a Calgary-based businessman who has, since 1989, been the President of Flagship Investments Ltd., which has interests in various commercial interests in North America, Central America, Asia and Australia. He is also the President of Accu-Ram West Inc.

David Mullén
Director

Mr. David Mullen is Senior Vice President and a Director of Mullen Transportation Inc. (a public company listed on the TSE) and Vice President of Mullen Trucking Inc. Truckload Division. Since 1978 he has served in various marketing and operating capacities with Mullen Transportation and was instrumental in the development of the Truckload Division. Mr. Mullen is involved as a Director and shareholder through Shulin Lake Mining Inc. in placer gold operations in Alaska and other mineral interests in North America.

Frank Agar
P. Eng.
Director

Mr. Agar obtained a Bachelor of Science Degree in Geological Engineering from the University of Saskatchewan in 1952 and has over 40 years experience in the oil and gas, mining and financial industries. As President of Mineral Resources International Ltd and Director of Nanisivik Mines Ltd, he was instrumental in developing and bringing into production the Nanisivik Mine on Baffin Island. He is currently a director of Five A Investments Ltd, NuGold Technology Ltd., Stratabound Minerals Ltd. and Frontier Energy Ltd.



TECHNICAL TEAM

APEX Geoscience Ltd.

Mr. Dufresne and Mr. Besserer are partners and consultant with APEX Geoscience Ltd., a consulting company that has been operational for several years. APEX has had considerable practical experience with includes gold (placer and lode), base metal and diamond exploration programs in Alberta, BC, Yukon, NWT and Nunavut, Quebec, and internationally. APEX has worked in conjunction with the Alberta Geological Survey and one example of this work is the published volume "Diamond Potential of Alberta" Alberta Geological Society Bulletin 63. Apex Geoscience Ltd. has been recognized with the discovery of kimberlites in Tornгат, QC (39 reported kimberlite dykes) as well as the Kendu kimberlite, AB and the NIC2 kimberlite, NWT.

Michael B. Dufresne
M. Sc., P. Geol.

Dean Besserer
P. Geol.

Lithoquest International Mineral Exploration Services

Mr. Counts specializes in diamond and kimberlite exploration. As President of LithoQuest International Mineral Exploration Services, Mr. Counts is very familiar with the management and development of exploration companies with expertise in diamond and kimberlite exploration. Mr. Counts has consulted long term for Dia Met Minerals as Exploration Manager. In 2000 Mr. Counts participated in the valuation of Ashton Mining of Canada and DiaMet Minerals Ltd. From 1992 to 1997 Mr. Counts was an integral member of the exploration team with BHP Minerals Canada Ltd. responsible for the discovery and development of the Ekati Diamond Mine in the NWT. Additional clients include Canabrava Diamond Corp., Intrepid Geophysics Ltd., Mount Hope Resources Ltd., Major General Resources Ltd and recently held the position of Vice President of Braden-Burry Expediting Ltd of Yellowknife, NWT. Mr. Counts received a B.A.Sc. in Geological Engineering from University of British Columbia in 1992, completed honors Level Geophysics Level II at University of British Columbia in 1986.

Bruce Counts
P. Geoph.

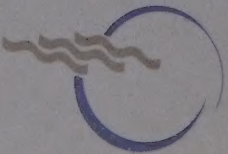
glossary

FIELD NOTES

Archean	the earlier part of Precambrian time
caustic fusion	a process to determine micro and macro diamond content by utilizing caustic material to dissolve the host kimberlite material
chromite	a brownish to iron-black mineral of the spinel group, commonly found in basic to ultrabasic rocks and kimberlite
craton	a part of the Earth's crust which has attained stability and which has been little deformed for a prolonged period, generally found in the central regions of continents.
DIM	means diamond indicator mineral
diamond	a naturally forming crystalline form of pure carbon occurring under extreme pressures and temperatures
diamondiferous	any substance containing or yielding diamonds
dyke	a tabular intrusive body that cuts across the planar structure of the surrounding rock
g Au/t	grams of gold per tonne
garnet	a group of silicate minerals occurring in igneous or metamorphic rock types
indicator minerals	minerals formed together with diamonds at great depths and brought to the surface by the same kimberlites. Common indicator minerals include pyropes, ilmenite, chrome-diopside and chromite
kimberlite	a type of igneous rock, the most common host rock for diamonds. It is formed at great depths and is forced to the surface as volcanic pipes, dykes and sills
macro-diamond	a diamond that has a dimension in excess of 0.5mm in one direction
micro-diamond	a diamond, no dimension of which exceeds 0.5mm
pipe	an intrusive body that has a three-dimensional vertical shape of a cylinder or a cone.



the earlier part of Precambrian time	Archean
a process to determine micro and macro diamond content by utilizing caustic material to dissolve the host kimberlite material	caustic fusion
a brownish to iron-black mineral of the spinel group, commonly found in basic to ultrabasic rocks and kimberlite	chromite
a part of the Earth's crust which has attained stability and which has been little deformed for a prolonged period, generally found in the central regions of continents.	craton
means diamond indicator mineral	DIM
a naturally forming crystalline form of pure carbon occurring under extreme pressures and temperatures	diamond
any substance containing or yielding diamonds	diamondiferous
a tabular intrusive body that cuts across the planar structure of the surrounding rock	dyke
grams of gold per tonne	g Au/t
a group of silicate minerals occurring in igneous or metamorphic rock types	garnet
minerals formed together with diamonds at great depths and brought to the surface by the same kimberlites. Common indicator minerals include pyroxenes, ilmenite, chrome-diopside and chromite	indicator minerals
a type of igneous rock, the most common host rock for diamonds. It is formed at great depths and is forced to the surface as volcanic pipes, dykes and sills	kimberlite
a diamond that has a dimension in excess of 0.2mm in one direction	macro-diamond
a diamond, no dimension of which exceeds 0.2mm	micro-diamond
an intrusive body that has a three-dimensional vertical shape of a cylinder or a cone	pipe





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